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DE RUEHAH #0238/01 0551201
ZNR UUUUU ZZH
R 241201Z FEB 10
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 4284
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 6287
RUEHBJ/AMEMBASSY BEIJING 3959
RUEHKO/AMEMBASSY TOKYO 3818
RUEHIT/AMCONSUL ISTANBUL 4531
RUCNDT/USMISSION USUN NEW YORK 1500
RHMCSUU/CDR USCENCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 4428
RHEBAAA/DEPT OF ENERGY WASHDC
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 ASHGABAT 000238

SENSITIVE
SIPDIS

STATE FOR SCA/CEN
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE/DSTARKS

E.O. 12958: N/A
TAGS: [EPET](#) [PGOV](#) [EINV](#) [TX](#)
SUBJECT: FMC PLANS TO EXPAND BUSINESS IN TURKMENISTAN

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11. (U) Sensitive but Unclassified. Not for Public Internet.

12. (SBU) SUMMARY: FMC Technologies (FMC), a U.S.-based oil drilling equipment provider, has supplied equipment to Dragon Oil in Turkmenistan for seven years. The company is now considering plans to establish an office here. FMC is looking for additional opportunities to provide drilling equipment and services to national and international companies working in Turkmenistan. An FMC representative believes the increasing need for deep high-pressure drilling in Turkmenistan will trigger the demand for FMC's state-of-the-art equipment. END SUMMARY.

13. (SBU) On February 23, poloff met with a regional sales manager from FMC Technologies to discuss FMC's desire to pursue additional service contracts and open an office in Turkmenistan. According to the FMC official, within FMC's corporate structure, Turkmenistan falls under the jurisdiction of the company's subsidiary based in France, which has largely failed to pursue opportunities in the Turkmen market. However, FMC's Asia Pacific-Middle East (APME) subsidiary, through its branch office in Dubai, has operated "under the radar" in Turkmenistan for the past seven years through its contract with Dragon Oil. The APME branch hopes to convince FMC headquarters in Houston to allow it to open an office in Turkmenistan in order to pursue opportunities with national and international companies in Turkmenistan.

14. (SBU) According to the FMC rep, he is pushing his headquarters to register an office in Turkmenistan. He recognizes that establishing an in-country presence would be crucial for expanding its business in the

country. Moreover, Dragon Oil is a major FMC customer with 78 wells currently in operation. The FMC rep said a client the size of Dragon would have typically required FMC to maintain a permanent in-country presence to supply and service its wells. FMC is concerned that there may come a time when its personnel may not be able to obtain Turkmen visas in time to perform its obligations under the Dragon Oil contract. Opening a local office would help to avoid this. In consulting with numerous sources, the FMC rep was told that it could take anywhere from 2-12 months to register his company in Turkmenistan.

15. (SBU) FMC supplies and services various drilling equipment, including well heads and trees, whose service life is typically 15-20 years. While FMC is not a low-cost provider, the FMC rep pointed out that, in the area of advanced drilling equipment, "you get what you pay for." FMC believes there will be high demand for its advanced equipment as more and more deep, high-pressure wells are drilled in Turkmenistan to tap new gas deposits. According to the FMC official, less expensive drilling equipment, provided mostly by Chinese and Russian companies, will not hold up to the demands of deep high-pressure drilling.

16. (SBU) FMC hopes to capitalize on its existing relationships with several IOCs, in the event they obtain onshore or offshore contracts. The rep mentioned close ties with UAE-based Petrofac that recently signed an agreement with Turkmengas to

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develop part of the South Yoloten field. He also noted that CNPC has bought FMC drilling through the company's Singapore office. Although CNPC did not disclose the ultimate destination of the equipment, the rep thought it was likely that at least some of the FMC equipment was being used by CNPC in Turkmenistan. FMC also expects opportunities to work with Turkmen national oil and gas companies as a service and equipment provider. FMC sees tremendous potential for its services at the South Yoloten field. Petrofac officials in Dubai told the FMC rep that Petrofac plans to drill about 100 wells during its phase of South Yoloten development, with the ultimate total in South Yoloten reaching 200 wells. Such high numbers of technically challenging wells could generate significant demand for FMC's products and services.

17. (SBU) COMMENT: FMC's greatest opportunity in Turkmenistan will likely come through expanding its business with foreign companies that operate here. As for working with Turkmenistan's national companies, FMC will have to come up with a special marketing strategy that educates host-country officials about the advantages of its high cost, state-of-the-art equipment and services. FMC will also need to adjust to local business practices and be responsive to the needs of state-controlled companies in order to achieve the success that some of its competitors have already seen. END COMMENT.

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